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IN THE

Supreme Court of the United States

No. 1239.

October Term, 1945.

SYLVANIA INDUSTRIAL CORPORATION and SYLVAN PLASTICS, INC.,

Petitioners,

v.

LIBBEY-OWENS-FORD GLASS COMPANY,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT AND BRIEF IN SUPPORT THEREOF.

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PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

To the Honorable Justices of the Supreme Court of the United States:

Your Petitioners, Sylvania Industrial Corporation and Sylvan Plastics, Inc., pray for a Writ of Certiorari to the United States Circuit Court of Appeals for the Second Circuit to review the judgment of dismissal of the appeal entered by that Court in this suit on March 26, 1946 (R. p. 71).

A certified transcript of the Record in the case, including the proceedings in said Circuit Court of Appeals, has been filed herewith in compliance with Rule 38 of the Rules of this Court.

I. Summary and Short Statement of the Matter Involved.

This is a suit brought by Respondent, Libbey-Owens-Ford Glass Company, in the United States District Court for the Southern District of New York for the alleged direct and contributory infringement by Petitioners of Let-

ters Patent No. 2,056,462 issued October 6, 1936 and entitled "Manufacture of Molded Articles from Urea and Formaldehyde" (see Complaint, R. pp. 4-5).

The patent in suit contains two distinct types of claims, namely, product claims and method claims. The product claims are directed to a urea-formaldehyde molding powder per se. The method claims are directed to a method by which the molding powder is converted into a hardened article of the desired shape. It is to be noted that the method covered by the method claims is not a method of making the product, i. e., the molding powder, but a method involving its use.

Petitioners, in their Answer (R. pp. 6-13), after denying infringement and asserting that the patent is invalid for a number of reasons, averred (R. pp. 12-13) that Respondent is not entitled to maintain the action or to the relief sought because Respondent, itself and through its licensees (American Cyanamid Co. and Bakelite Corporation), has used and is using the patent improperly, unlawfully, and in violation of the principle of the *Carbice* case (*Carbice Corp., v. American Patents Development Corp.,* 283 U. S. 27) and subsequent cases of this Court.* This averment is entitled "Third Defense" (R. p. 12), and squarely challenges the propriety of the dealings of Respondent and its licensees with the purchasers of the molding powder and presents the question whether or not these dealings constitute a misuse of the patent and an unlawful extension of the monopoly secured by the method claims thereof. Petitioners' Answer included a prayer for relief (R. p. 13).

Respondent moved under Rule 12 (b) (6), F.R.C.P., to dismiss this patent abuse averment ("Third Defense") on the ground that it "fails to state a claim upon which relief can be granted" (R. pp. 13-15). In support of the

* Leitch Mfg. Co., Inc. v. Barber Co., Inc., 302 U. S. 458; B. B. Chemical Co. v. Ellis, 314 U. S. 495; Morton Salt Co. v. G. S. Suppiger Co., 314 U. S. 488; Mercoid Corp. v. Mid-Continent Invest. Co., 320 U. S. 661; Ethyl Gasoline Corp. v. United States, 309 U. S. 436.

motion, Respondent filed an affidavit setting forth its business practices and those of its Licensees (R. pp. 16-19).

Petitioners then filed a motion for summary judgment on the "Third Defense" under Rule 56, F. R. C. P., upon the Complaint and Answer, Respondent's affidavit and an additional affidavit. (R. pp. 20-26.)

The affidavits filed by Respondent and Petitioners in support of their respective motions set forth all the facts relevant to the patent abuse averment "without disagreement as to any material fact" (affidavit of Respondent's attorney, R. p. 39).

The Respondent's Motion to Dismiss and Petitioners' Motion for Summary Judgment were heard by the District Court (Judge Bright) who rendered an opinion (R. pp. 27-32), holding (R. p. 32):

> "As a pleading, the defense is good. Upon the merits, as revealed by the uncontradicted facts stated in plaintiff's moving affidavit and adopted in the defendants' moving papers, it is insufficient.
>
> "Plaintiff's motion will, therefore, be granted, and defendants' motion denied."

An appropriate order was entered by the District Court by which, inter alia, the patent abuse averment was dismissed upon the merits (R. p. 33).

Petitioners then appealed to the Circuit Court of Appeals from so much of the judgment or order as dismissed the patent abuse averment on the merits (R. p. 34).

Respondent moved to dismiss the appeal "upon the authority of the case of the *United States v. Continental Casualty Co.*, 69 F. (2d), 107, (C. C. A. 2nd)." (R. pp. 37-38.)

Respondent's Motion to Dismiss the appeal was argued before the Circuit Court of Appeals, and the Court, in a divided opinion dismissed the appeal (R. pp. 44-70). The majority of the Court (Judges Swan and Clark) concluded that a patent abuse issue as raised in this case is insep-

arable from the issue of the validity of the patent and, therefore, that the order of dismissal was not a final judgment and hence is not separately appealable (R. pp. 44-52). The minority opinion (Judge Frank) took the opposite view and concluded that the judgment was a separate judgment under Rule 54 (b), F. R. C. P., and is, therefore, appealable when entered. (R. pp. 52-70.)

A judgment of dismissal of the appeal was entered by the Circuit Court of Appeals on March 26, 1946, (R. p. 71) and it is this judgment that Petitioners seek to have reviewed by this Court.

II. Jurisdiction.

The jurisdiction of this Court is invoked under Section 240 (a) of the Judicial Code as amended by the Act of February 13, 1925 (28 U. S. C. A. 347).

The judgment of dismissal of an appeal by a Circuit Court of Appeals on the ground that the judgment was not final was reviewed by this Court upon certiorari in *Reeves v. Beardall,* 316 U. S. 283.

The judgment of dismissal of the Circuit Court of Appeals which Petitioners seek to have reviewed was entered on March 26, 1946.

III. The Question Presented.

The decision of the Circuit Court of Appeals for the Second Circuit presents the following question:

> When an issue of patent abuse in a patent infringement suit has been decided on the merits, in advance of the trial of the other issues, against the party charged with infringement, is the judgment on that issue final and appealable upon its entry; or must an appeal therefrom await the trial of the issues of validity and infringement and the entry of a judgment thereon?

IV. Reasons for Granting the Writ.

The discretionary power of this Court is invoked upon the following grounds:

(1) The Circuit Court of Appeals for the Second Circuit in this case has, by a divided Court, decided an important question of Federal law of procedure in patent infringement suits which has not been, but should be, settled by this Court.

a) It is important that the nature of a judgment dismissing a patent abuse averment on the merits, whether following a motion to dismiss or a trial on the separate issue, be settled by this Court, for, until that time, the necessity of an appeal from such a judgment will remain an open question and a party will be required, in every such case, to file an appeal within the statutory period or run the risk of losing his only chance for appeal.

b) It is also important to have this Court determine whether or not a judgment of the type in question is final, because, if it is, a review of the merits of the patent abuse averment is immediately available, and, if the judgment be reversed, the claim for patent infringement can then be dismissed without requiring the Trial Court and the parties to deal with the complicated questions of patent validity and infringement. In such a case, the party guilty of misuse of the patent will not be permitted to gain by compelling the other party to defend the litigation on the merits of the patent questions.*

(2) The Circuit Court of Appeals for the Second Circuit in this case has decided a question of Federal law of procedure in a way probably in conflict with

* The importance of the question was emphasized in the minority opinion, particularly at pages 52 and 67-68 of the Record.

applicable decisions of this Court and of other Circuit Courts of Appeal.

a) The majority opinion of the Circuit Court of Appeals for the Second Circuit, in dismissing the appeal on the ground that the issue raised by the patent abuse averment is inseparable from the issue of validity of the patent in suit, rendered a decision probably in conflict with the decisions of this Court in *Mercoid Corp. v. Mid-Continent Invest. Co.*, 320 U. S. 661, and *Sola Electric Co. v. Jefferson Electric Company*, 317 U. S. 173, and with the decision of the Circuit Court of Appeals for the Seventh Circuit in *Jefferson Electric Co. v. Sola Electric Co.*, 122 F. (2d) 124.

b) The decision by the majority of the Circuit Court of Appeals for the Second Circuit to the effect that a judgment dismissing the patent abuse averment is not a final judgment under Rule 54 (b) F. R. C. P., thereby depriving the defeated party of its right to an immediate appeal, is contrary to the decision of this Court in *Reeves v. Beardall*, 316 U. S. 283; is contrary to decisions of other courts of appeal, viz., *Hanney v. Franklin Fire Ins. Co.*, 142 F. (2d) 864 (C. C. A. 9); *Jefferson Electric Co. v. Sola Electric Co.*, 122 F. (2d) 124 (C. C. A. 7), (see also contrary decisions of the Circuit Court of Appeals for the Second Circuit, viz., *Collins v. Metro-Goldwyn Pictures Corp. et al.*, 106 F. (2d) 83; *Sidis v. F-R Pub. Corp.*, 113 F. (2d) 806; *Musher Foundation, Inc. v. Alba Trading Co., Inc.*, 127 F. (2d) 9; *Zalkind v. Scheinman*, 139 F. (2d) 895).

WHEREFORE, your Petitioners respectfully pray that a Writ of Certiorari be issued to the United States Circuit Court of Appeals for the Second Circuit, to the end that this cause may be reviewed and determined by this Court,

that the judgment of the Circuit Court of Appeals dismissing the appeal may be reversed, and that Petitioners may be granted such other and further relief as may be proper.

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BRIEF IN SUPPORT OF THE PETITION FOR WRIT OF CERTIORARI.

Opinions of the Court Below.

The Circuit Court of Appeals for the Second Circuit was divided in its views with respect to the nature of the judgment in question and consequently of the right of petitioners to appeal. The majority opinion (Judges Swan and Clark) found that the judgment was not final and appealable (R. pp. 44-52). Judge Frank disagreed in a dissenting opinion (R. pp. 52-70). These opinions are reported in 69 U. S. P. Q. 29.*

Statement of the Case.

The essential facts of the case are stated in the accompanying Petition for Writ of Certiorari and are adopted and made a part of this brief.

Jurisdiction.

The jurisdiction of this Court is pointed out in the accompanying Petition for Writ of Certiorari. In addition to *Reeves v. Beardall*, 316 U. S. 283, there cited, this Court has granted a Petition for a Writ of Certiorari to review a question of the Federal law of procedure in *Zimmern, et al. v. United States*, 298 U. S. 167 and in *Leishman v. Associated Wholesale Electric Co.*, 318 U. S. 203.

Specification of Error to Be Urged.

The Circuit Court of Appeals erred:

In dismissing the appeal taken by Petitioners from the judgment of the District Court by which the patent abuse issue was dismissed on the merits.

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* The opinion of the District Court for the Southern District of New York (Judge Bright) dismissing Petitioners' patent abuse averment on the merits ("Third Defense" in Answer) (R. pp. 27-32) is reported in 64 F. Supp. 516 and 67 U. S. P. Q. 84.

Argument.

1. The Question Presented is an Important One of Federal Law of Procedure.

It is important to the administration of the patent laws for this Court to determine the nature of a judgment dismissing a patent abuse issue on the merits. In view of the irreconcilable views of the majority and minority opinions of the Circuit Court of Appeals, confusion will result, which should be resolved by this Court.

If, as Judge Frank concluded in his dissenting opinion, such a judgment is final, an appeal therefrom must be taken within the statutory period of three months from the entry of the judgment; otherwise, the right to appeal the issue is forever closed. On the other hand, if, as the majority of the Court concluded, the judgment is not final, then the issue is not appealable until the issues of validity and infringement are tried and determined.

But, whether the opinion of the majority or of the minority be deemed the better view, an appeal from such a judgment of a District Court will be required, out of caution, until the question is settled by this Court, because the penalty for failure to appeal may be the loss of that right. Moore, in speaking of such an uncertainty, has stated:

> "a lawyer in order to protect a client from an adverse ruling must often appeal at that stage lest later he find that the order disposed of a 'cause of action' for purposes of appeal, was final, and the time for appeal has now run." (Moore, 3 Federal Practice, 1945 Cum. Supp. 146)

It is also important to have the question presented determined by this Court, because, if a judgment of the type in question is found to be final, a review on appeal of the merits of a claim of patent abuse will determine, in the preliminary stage of patent litigation, whether the patent owner can maintain his action for infringement. If it be

found that he cannot, the cost and labor of trying the difficult questions of patent infringement and validity will be avoided, and a party guilty of misusing his patent cannot take advantage of his own misconduct.

The importance of this phase of the matter was emphasized in the dissenting opinion in this case where Judge Frank stated (R. p. 52):

> "My colleagues, I think, have brushed to one side at least seven recent decisions of the Supreme Court, together with a half-dozen or more of our own, to reach a conclusion which, if it becomes a precedent, will seriously interfere with sound judicial administration of the patent and anti-trust laws. For it frustrates the policy, often recently announced by the Supreme Court, that the owner of a valid patent may not enforce it against infringers if the owner has abused the patent monopoly by using it in a manner violative of the anti-trust laws." (Footnote omitted);

and (R. pp. 67-68): : :

> "That policy * calls, I think, for this conclusion: When the issue of patent-abuse becomes apparent to the court, it should, if practicable, be decided at the outset of the suit, i. e., in advance of the trial of the other issues, and the court's decision on that threshold issue should be appealable at once, because, if the patentee is guilty of abusing the patent, he should not be allowed to compel the defendant to go to the trouble and expense of defending the suit for enforcement of the patent. This is no light matter, for it is well known that the notoriously great cost of such a defense has often induced alleged infringers to accept licenses on onerous terms rather than to engage in litigation, with the result that 'spurious' patents, uncontested, substantially reduce competition. That policy, expressed frequently in re-

* The policy announced by this Court in Mercoid Corp. v. Mid-Continent Invest. Co., 320 U. S. 661.

cent years by the Supreme Court, which would prevent such injury to the public, my colleagues' decision frustrates." (Footnotes omitted)

2. The Majority Opinion of the Circuit Court of Appeals for the Second Circuit is Probably in Conflict With Applicable Decisions of This and Other Courts.

The fundamental issue raised by the dismissal of Petitioners' appeal by the Circuit Court of Appeals is whether or not a patent abuse averment, such as set forth in Petitioners' "Third Defense", presents a separate issue which is distinct from the main claim of patent infringement, so that a judgment dismissing it on the merits is a separate judgment under Rule 54 (b) F. R. C. P. and is, therefore, appealable under the authority of *Reeves v. Beardall,* and other cases cited at page 6 of the Petition.

An issue of patent misuse depends entirely upon the acts and conduct of the patent owner, e. g., the relations between the Respondent here and its two licensees with their customers. On the other hand, the questions of patent validity and infringement have nothing to do with the conduct of the patent owner. Validity requires consideration of the prior art and the like, while infringement depends upon the nature of the business of the alleged infringer and its relation to the purported invention of the patent. Patent abuse does not arise "out of the transaction or occurrence which is the subject matter of the claim" (Rules 54 (b) and 13 (b), F. R. C. P.) based on patent validity and infringement.

Nevertheless, the majority of the Court concluded that the issue of patent misuse is "closely intertwined" with the validity of the patent (R. p. 47) and thereupon held that the issue did not involve a claim distinct from the claim of patent infringement. It likened the patent abuse claims to the defenses of payment, release, statute of limitations, estoppel, accord and satisfaction, and other matters stated

in Rule 8 (c), F. R. C. P. (R. p. 47). It, therefore, dismissed the appeal because it concluded that the judgment dismissing the patent abuse issue was not a separate judgment under Rule 54 (b), F. R. C. P. (R. pp. 51-52).

The patent in suit contains one set of claims directed to the molding powder per se and another set directed to a method involving the *use* of the molding powder—not to a method of making it. (The claims are set forth in an Appendix to this Brief.)

Respondent and its licensees, American Cyanamid Company and Bakelite Corporation, manufacture the molding powder claimed in the product claims of the patent, but they do not use the molding powder and, therefore, do not practice the process of the method claims. They sell the molding powder to the trade for use in making molded articles in accordance with the process of the method claims. Thus, the sale of the molding powder carries with it an implied or constructive license to use, in conjunction with the molding powder so purchased, the process of the method claims. No royalty is paid and the sole consideration for the right to use the process is the purchase of the molding powder from Respondent or its above-named licensees. Furthermore, the grant of licenses under the method claims of the patent is confined to those concerns which purchase the molding powder from Respondent, from American Cyanamid Company, or from Bakelite Corporation. Respondent, therefore, limits the use of the process to those who purchase the molding powder from it or its licensees and, in order to further the sale of the product, offers, as an inducement, a gift of a free license under the method claims.*

* The majority opinion stated that there were two outstanding licensees under the method claims (R. p. 48), referring to American Cyanamid Company and Bakelite Corporation. While nominally these concerns have the right to practice the method, they, in fact, do not, but are in the same business as Respondent, and like Respondent, sell the molding powder. Every purchaser of the molding powder from any of these three concerns has an implied license under the method claims by reason of its purchase of the powder.

This method of doing business, Petitioners say, is an attempt by Respondent to control business in the molding powder of the product claims by the use of the method claims. In other words, instead of being content with the product claims for patent protection of the product, Respondent seeks to enlarge its patent protection on the product by resort to other claims, not directed to that product, but to a method which, in fact, is not used by Respondent or its licensees, American Cyanamid Company and Bakelite Corporation. Petitioners cited, as another example of what it believes to be a misuse of the patent, Respondent's charge in the Complaint of contributory infringement of the method claims by Petitioners, by which charge Respondent is also attempting to use the method claims to control business in the molding powder. See *Carbice Corp. v. American Patents Developments Corp. et al.*, 283 U. S. 27; *Leitch Mfg. Co. v. Barber Co., Inc.*, 302 U. S., 458; *Morton Salt Co. v. G. S. Suppiger*, 314 U. S. 488; *B. B. Chemical Co. v. Ellis*, 314 U. S. 495; *Mercoid Corp. v. Mid-Continent Invest. Co.*, 320 U. S. 661; *Ethyl Gasoline Corp. v. U. S.*, 309 U. S. 436; *Philad Co. v. Lechler Laboratories, Inc.*, 107 F. (2d) 747 (C. C. A. 2).

In answer to the statement in the majority opinion that the issue of patent abuse is like a defense of payment or the like, which is not separately appealable because it arises out of the same transaction as the plaintiffs' claim, the minority opinion pointed out that the case of *Mercoid Corp. v. Mid-Continent Invest. Co.*, 320 U. S. 661, "makes it plain that patent-abuse is not similarly intertwined with the patent owner's claim" of patent infringement (R. pp. 55-56, 59).

The minority opinion also considered the nature of the particular patent abuse issue raised in this case and called attention to the alternative nature of Petitioners' pleading where, by the "Third Defense", it was averred "that, even if the patent is valid and infringed, nevertheless plaintiff is not entitled to enforce it because, in dealings with persons other than defendants, plaintiff has abused the patent

monopoly in violation of the anti-trust laws'' (R. pp. 53-54). The minority opinion also referred to the fact that Respondent's alleged misuse was not apparent on the face of the Complaint, or germane to the issues of patent validity and infringement and that, therefore, the proofs submitted to the District Court could not legitimately constitute any part of Respondent's or Petitioners' proofs on these other issues.

The minority opinion found that the holding of the majority of the Court was in conflict with the explicit holding of this Court in *Mercoid Corp. v. Mid-Continent Invest. Co.*, 316 U. S. 283, and with the implicit holding of this Court in *Sola Electric Co. v. Jefferson Electric Co.*, 317 U. S. 173. This conclusion in the minority opinion supports Petitioners' submission that a Writ of Certiorari should be granted, because the decision of the majority of the Circuit Court of Appeals is probably in conflict with applicable decisions of this Court.

The *Mercoid* case is discussed in the minority opinion at pages 52-53 and 56 of the Record, and it is there shown that a patent abuse counterclaim was deemed by this Court to be a ''permissive'' counterclaim. A judgment on such a counterclaim is appealable when entered (R. pp. 56-59).

The *Sola* case is discussed in the minority opinion at pages 59 to 62 of Record. As there pointed out, plaintiff sued for royalties alleged to be due from defendant under a patent license. Defendant set up in a counterclaim that certain of the patent claims were invalid and that the price-fixing clause of the license was illegal. On plaintiff's motion, the District Court dismissed the counterclaim and defendant appealed. Plaintiff moved to dismiss the appeal on the ground that the judgment was not final and separately appealable. The Circuit Court of Appeals for the Seventh Circuit denied the motion (122 F. (2d) 124), and later affirmed the judgment on the merits (125 F. (2d) 322). Certiorari was granted and this Court reversed the Circuit Court of Appeals on the merits, but not, however, on the ground that the judgment on the counterclaim was not final

and appealable in advance of the trial on the other issues. Hence, as pointed out in the minority opinion, the decision of the majority of the Court in the case at bar is in conflict with the implicit holding of this Court in the *Sola* case (R. pp. 60-62). In addition, it is in conflict with the explicit holding of the Circuit Court of Appeals for the Seventh Circuit in its decision on the motion to dismiss the appeal (*Jefferson Electric Co. v. Sola Electric Co.*, 122 F. (2d) 124).

The fact that Petitioners' patent abuse averment is labeled "Third Defense" rather than "Counterclaim" is without significance. As was stated in the minority opinion, regardless of the label, the "Third Defense" must be construed and treated as a counterclaim under Rules 8 (c), 8 (f), and 54 (c), F. R. C. P.; especially in view of the prayer for relief in Petitioners' Answer and the fact that Respondent in its motion to dismiss the defense and the District Court in its opinion treated the "Third Defense" as a demand for affirmative relief, in saying that it "fails to state a claim upon which relief can be granted" (R. pp. 52, 65-69). In answer to a suggestion in the majority opinion that the jurisdiction and perhaps venue requirements for a "permissive" counterclaim are not present in this case, the minority opinion pointed out (R. p. 62) that the *Mercoid* case holds squarely that a Federal Court has jurisdiction of a counterclaim for patent abuse and that, in the case of a "permissive" counterclaim, the venue requirements need not be satisfied, *General Electric Co. v. Marvel Rare Metals Co.*, 287 U. S. 430; *Lesnik v. Public Industrials Corp.*, 144 F. (2d) 968 (C. C. A. 2).

CONCLUSION.

It is respectfully submitted that Petitioners' appeal to the Circuit Court of Appeals for the Second Circuit should have been heard under the authority of *Reeves v. Beardall* and other cases cited (supra, p. 6), and that the dismissal

of the appeal was an error which should be reviewed and corrected by this Court.

WHEREFORE, Petitioners pray that the Writ be granted.

Respectfully,

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APPENDIX.

Claims of Patent No. 2,056,462 in Suit.

1. A time stable dry, fusible molding composition stable in storage and prior to hot pressing, and capable of conversion into shaped articles under heat and pressure, said composition comprising a dry, fusible urea-formaldehyde condensation product intimately admixed with a small amount of a compound, itself inert in the dry molding composition, but which generates an acidic substance only at the temperatures of molding, said compound generating sufficient amount of acidic substance, de novo and in situ, for hardening at molding temperature, and remaining sufficiently inert in the dry molding composition at temperatures below molding temperature to render the composition stable in storage and to permit flow and shaping prior to acceleration of hardening.

2. As an improvement in the manufacture of hardened, shaped molded articles by hot pressing dry, fusible, urea-formaldehyde reaction products, the improvement which comprises accelerating the hardening with an accelerator developed, de novo and in situ, during hot pressing by the thermal decomposition of an added substance admixed with said reaction products and inert in the dry composition prior to hot pressing, the added inert substance decomposing only at molding temperature to produce said accelerator, being inert in the dry composition at ordinary temperature, and remaining ineffective at temperatures below 80° C., the heat and pressure applied to the dry molding composition being sufficient to effect the softening, flowing, shaping, development of accelerator, and hardening in that order.

3. The improved process of claim 2 wherein the inert substance so generating the accelerator at molding tempera-

ture is an organic compound thermally decomposing at temperatures between 90 and 130° C. to form a new, markedly acid compound, said organic compound generating sufficient new acidity in situ to harden the shaped composition at temperatures above 90° C.

4. The process of claim 2 wherein the accelerator so developed in situ is a strong mineral acid.

5. The process of claim 2 wherein the dry molding composition is slightly alkaline prior to hot pressing and wherein the shaped composition is acidified by an acid developed, de novo and in situ, during the hot pressing.

6. The process of claim 2 wherein the dry molding composition is slightly acid, the acidity thereof being insufficient to interfere with flow in the mold, and wherein the accelerator so developed during hot pressing is an acid substance which sufficiently increases the acidity of the shaped composition to rapidly harden the shaped composition and quickly resinify the urea-formaldehyde product to an insoluble, infusible condition.

7. In the manufacture of hot pressed resinified articles from dry materials including fusible, non-resinous, urea-formaldehyde reaction products, the improvement which comprises acidifying the material with an organic acid at a time subsequent to the application of heat and pressure while continuing the heat and pressure, said acidification being effected by means of an organic acid developed and generated, in situ and de novo, during the hot pressing.

8. As an improvement in the manufacture of molded articles by hot pressing dry, fusible reaction products of ureas with aldehydes, the improvement in accelerating hardening during hot molding which comprises developing and generating, in situ and de novo, an organic compound of markedly acid character capable of accelerating the said hardening, the softening, flowing, shaping, development of hardening accelerator and hardening occurring in that order

and being effected in a single operation by the application of sufficient heat and pressure to the dry molding composition.

9. In resinifying non-resinous fusible urea-formaldehyde products by hot molding to form high grade products, the improvement which comprises subjecting such a product having formaldehyde combined with urea in molecular ratios not greater than 1.5:1 to heat and pressure in a state in which the acidity is not great enough to interfere with flow in the mold and after flow acidifying the material to accelerate resinification while continuing the heat and pressure, said acidification after flow being effected by means of a markedly acid compound developed and generated, in situ and de novo, during hot pressing.

10. An improved dry molding powder, stable in storage and at temperatures below molding temperature, and capable of being readily hot pressed into properly shaped, sound, dense, hardened molded articles, said powder comprising a dry mass of finely divided dry, fusible, urea-formaldehyde reaction product containing in admixture therewith, a small amount of a compound substantially inert in the dry powder at temperatures below molding temperature but thermally decomposing at molding temperature during hot pressing to form an acid, de novo in situ, capable of acidifying the composition and of accelerating hardening of the shaped article, the said inert compound decomposing at temperatures between 90° and 130° C. and so generating sufficient new acid to acidify and accelerate hardening of the shaped article.

11. The composition of claim 10 wherein the inert compound capable of generating new acid in situ is an organic compound liberating a strong acid by thermal decomposition and wherein between 0.1 and 0.2 parts by weight of such inert compound to 100 parts of said urea-formaldehyde reaction product is present in said molding powder.

12. An improved dry molding composition suitable for resinfication by hot pressing, comprising a fusible non-resinous urea-formaldehyde condensation product and an organic compound substantially inert in the dry composition below molding temperature but decomposing during hot pressing to produce a new organic compound of markedly acid character.

13. In the manufacture of pressure-shaped, heat-hardened, molded articles from urea-formaldehyde products, the improvement which comprises hot pressing the dry molding powder of claim 10 under sufficient heat and pressure to effect softening, flowing, shaping, development of hardening accelerator and hardening in that order and to convert the dry fusible powder into shaped, insoluble, infusible molded articles containing stable heat-hardened urea-formaldehyde resins.

14. As an improvement in the manufacture of hot pressed resinified articles from dry urea-formaldehyde molding compositions, the steps which comprise admixing a dry fusible thermoplastic urea-formaldehyde condensation product with a dry solid substance, substantially inert in the mixture at ordinary temperature, but capable of thermally decomposing only at molding temperature to develop a new acid in situ during hot pressing, to form a molding composition, stable in storage and at temperatures below molding temperature, and then subsequently hot pressing the molding composition so obtained under sufficient heat and pressure to effect the softening, flowing, shaping, development of new acid in situ and hardening in that order in a single operation, said new acid being so developed in sufficient amount to quickly accelerate the hardening of the shaped urea-formaldehyde product.

MAY 25 1946
CHARLES ELMORE CROPLEY
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1945

No. 1239

SYLVANIA INDUSTRIAL CORPORATION and
SYLVAN PLASTICS, INC.,
Petitioners,

v.

LIBBEY-OWENS-FORD GLASS COMPANY,
Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR CERTIORARI

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Opinions Below

The opinion of the Court of Appeals for the Second Circuit is reported in 69 U. S. P. Q. 29 and at pages 44-70 of the Record. The opinion of the District Court for the Southern District of New York is reported in 64 F. Supp. 516, 67 U. S. P. Q. 84, and at pages 27-32 of the Record.

Jurisdiction

Jurisdiction of this Court is invoked under Sec. 240 (a) of the Judicial Code as amended by the Act of February 13, 1925 (28 U. S. C. A. 347).

Introductory

The proceeding for which review is sought by the petition filed herein is the dismissal by the Court of Appeals for the Second Circuit of an appeal by petitioners from an order of the District Court on the ground that the appeal was taken prematurely. The question presented is thus pro-

cedural in nature and directly involves lack of finality in the type of judgment appealed from, namely, an order of the District Court striking one of the several defenses from petitioners' answer to respondent's complaint and allowing the action to proceed to trial on the remaining issues.

Argument

The Lack of Finality in the Judgment Appealed From

In ordinary course one would think there would be little difficulty in determining that the dismissal of one defense from among several to the same claim is not a final disposition of a case. This in fact is the only issue in this cause and is the ground on which the Court of Appeals dismissed petitioners' appeal. In so doing the Court of Appeals specifically held (R. pp. 45-46):

> "An order merely striking one of several defenses and allowing the action to continue for adjudication of the rest would seem as nearly interlocutory as any pleading ruling can ever be; and such has been the universal view, both before the adoption of the new civil rules, United States v. Continental Casualty Co., 2 Cir., 69 F. 2d 107; Rexford v. Brunswick-Balke-Collender Co., 228 U. S. 339, and since, United States v. Florian, 312 U. S. 656, reversing (and restoring the first opinion in) Florian v. United States, 7 Cir., 114 F. 2d 990; Shultz v. Manufacturers & Traders Trust Co., 2 Cir., 103 F. 2d 771; Leonard v. Socony-Vacuum Oil Co., 7 Cir., 130 F. 2d 535; Audi Vision Inc. v. RCA Mfg. Co., 2 Cir., 136 F. 2d 621, 147 A. L. R. 574 (decided by the court now sitting); Oppenheimer v. F. J. Young Co., 2 Cir., 144 F. 2d 387; Toomey v. Toomey, App. D. C., 149 F. 2d 19; and Markham v. Kasper, 7 Cir., 152 F. 2d 270."

The petition filed herein, however, suggests that the above rule should not apply to a patent suit (1) where the defense involved contains allegations of 'patent abuse' and (2) where the losing party later elects to treat that defense not as a defense but as a counterclaim.

In these circumstances we should like to point out that the allegations relative to the alleged patent abuse were so unusual and were so completely restricted to an issue of law that both parties felt that such issue could be summarily disposed of in advance of trial.

The fact is that the patent sued upon contains claims covering the product sold by respondent and also contains claims covering the use of the product. It is to be borne in mind that a patent on a product covers its use as well as its manufacture and sale, and therefore the claims specifically directed to the use cover the same invention as the claims on the product. Despite the fact that only one invention was involved, petitioners have alleged that the mere sale of products so patented, because necessarily giving an implied license under the process claims, involved an abuse of the patent monopoly.

There was no issue of fact. Both sides agreed that the product sold by respondent was covered by the product claims and both sides agreed that the respondent, as an ordinary seller of a commercial product, had not given any general licenses to users other than those always given by sellers of a patented product. The District Court found that this was a normal procedure and not improper.

There was only an issue of law to present to the court and we submit that the simplicity of the facts is a very unusual circumstance. The ordinary case of abuse under the patent laws involves complicated questions of fact and cannot readily be disposed of summarily. There is here, therefore, no situation of general application such that this court should take jurisdiction to establish a particular practice. An appeal from a separate decision on alleged patent abuse is not something that commonly would be sought. It may be years before another case will come up where such an issue of alleged patent abuse can be summarily disposed of in the District Court.

As to petitioners' assertion that its "Third Defense" is not a defense but a counterclaim, it was only later in the Court of Appeals that petitioners took this position in

attempting to establish appealability. On this point the Court of Appeals held (R. p. 49):

> "This is an afterthought not presented below and should not be considered now, *United States* v. *Bennett*, 2 Cir., 152 F. 2d 342, 349, and cases cited, particularly as the allegations are not at all adequate under cases such as *Lances* v. *Letz*, 2 Cir., 115 F. 2d 916, and *McCurrack* v. *Cheney Bros.*, 2 Cir., 152 F. 2d 365, to support a claim for a declaratory judgment."

In concluding that the order in question was not appealable, the Court of Appeals gave extended consideration to petitioners' arguments seeking to make this case an exception to historic Federal policy against piecemeal litigation and recognized that (R. p. 51):

> "Of course, there may be times when a quick appellate decision on a part of the case may be helpful, though one may expect that will rarely be so on the bitterly fought antitrust problems. But the policy is the fruit of experience and embodies a general judgment which is not to be cast aside for an occasional aberrant case. And the policy is more broadly based than merely upon the natural desire for the expeditious and direct way of handling a particular case; for it eschews the whole practice of encouraging appeals on rulings concerning the perfectibility of pleadings and the resulting emphasis upon pleading technicalities which ensues. (Footnote omitted.) And even if there be individual judicial doubts about the policy, it nevertheless seems both desirable and necessary that it be followed; for that is the essence of a procedure *uniform* through the country."

This case, therefore, is one where the Circuit Court of Appeals has rendered a decision on a procedural question in exact accord with applicable decisions of this Court and in accordance with "a Federal policy going back to the early days of the Republic" (R. p. 46).

As to *Reeves* v. *Berdall*, 316 U. S. 283, relied upon by petitioners, the Court of Appeals specifically found (R. p. 47) that "It lends no countenance to the idea that differ-

ing defenses to the *same* claim may be reviewed in piecemeal fashion".

Nor is there present in this case a conflict of decision with other circuits. The Court of Appeals stated that its view of this question was "the universal view" (R. p. 46) and even as to the decision of the Circuit Court of Appeals for the Seventh Circuit in *Jefferson Electric Co.* v. *Sola Electric Co.*, 122 F. 2d 124 (relied upon by petitioners as in conflict but involving a related procedural question and not the specific question herein) the Court of Appeals for the Second Circuit noted that subsequently the Seventh Circuit in *Markham* v. *Kasper*, 152 F. 2d 270, cited and followed the decision of the Second Circuit in *Audi Vision* v. *RCA Mfg. Co.*, 136 F. 2d 621, "and there seems now no dissent from it" (R. p. 51).

Conclusion

The course of the proceedings and the methods employed by the Court of Appeals in arriving at their conclusion of non-appealability were in all respects of the character usual and accepted in judicial proceedings. At best the only conflict herein is within the Court of Appeals for the Second Circuit between the majority and minority views on the specific issue of making this case an exception to the general rule and this seems not such a conflict as would make review by the Supreme Court either proper or desirable.

Respectfully submitted,

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New York, New York,
May 24, 1946.